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December 16, 2003

VIA HAND DELIVERY

Deborah Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

Re: In the Matter of the Application of Volunteer First Services, Inc.
for a Certificate of Public Convenience and Necessity to Provide
Competing Telecommunications Services within the State of
Tennessee
Docket No. 03-00607

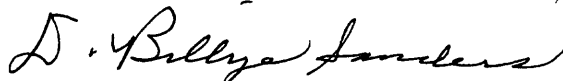
REC'D
2003 DEC 17 10:52
T.R.A. DOCKET ROOM

Dear Chairman Tate:

Enclosed you will find the original and thirteen (13) copies of Volunteer First Services' Responses to the TRA's Data Requests dated December 9, 2003. Portions of the responses are confidential and filed under seal.

Please contact me if you need any additional information.

Sincerely,



D. Billye Sanders
Attorney for Iris Networks

DBS/hmd
Enclosures

cc: Kent Rosenbury
Kevin Crumbo

IN THE MATTER OF THE APPLICATION OF VOLUNTEER FIRST SERVICES,
INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO
PROVIDE COMPETING TELECOMMUNICATIONS SERVICES WITHIN THE
STATE OF TENNESSEE

Docket No. 03-00607

Responses to Data Request from the TRA Staff

1. Pursuant to Tennessee Code Annotated, Section 65-4-125, the following will be due to the Tennessee Regulatory Authority ("TRA"), prior to completing the processing of your application for a Certificate of Public Convenience and Necessity:

1. A corporate surety bond in the amount of \$20,000; or
2. An irrevocable letter of credit in the amount of \$20,000; or
3. Documentary evidence that you own and operate equipment facilities in Tennessee worth more than \$5,000,000.

ANSWER: Attached is an irrevocable letter of credit in the amount of \$20,000.00.

2. In its CLEC application, VFS has indicated that it plans to contract with Ben Lomand Rural Telephone Cooperative, Inc. ("BLRTC") and Volunteer Energy Cooperative ("VEC") for employees to provide services in the areas of sales, operations management, customer service and engineering. Provide a detailed analysis addressing how shared labor costs, as well as, all shared and common costs will be allocated. Will the TRA be provided access to the books and records of VFS, BLRTC and VEC to determine specifically if the company is in compliance with the cost allocation plan?

ANSWER: Volunteer First Services ("VFS") will contract with BLRTC and VEC for certain services and facilities. VFS will allocate common costs and/or will compensate BLRTC and VEC at their market rates. All costs and agreed upon rates to be paid by VFS have been documented in the attached Cost Allocation Manual, which is confidential and filed under seal. These rates were established based upon current prices in the market place or the assignment and allocation of costs by the owner providing the assets, services, or labor.

It is in the mutual interest of BLRTC and VEC, as owners of VFS, not to subsidize the operations of VFS. The most immediate way for the owners to recover costs is to include those costs in the rate that is charged VFS. That provides incentive for the owners to include all of the appropriate costs in the rates. On the other hand, the other owner has incentive to challenge included costs because these would reduce the profit pool in which they share. To prevent subsidization of the

operations of VFS, BLRTC and VEC will use the rates and allocations in the Cost Allocation Manual, which will be approved by the management of both owners and the board of directors of VFS.

3. Will the cost allocation plan discussed in Item Number 3 above be audited by an independent auditor? If so, how often? Will a separate opinion be issued on the cost allocation plan?

ANSWER: On an annual basis, VFS plans to obtain an independent audit report on the financial statements of the company. At the request of the TRA, VFS will provide an independent audit of the cost allocation plan. VFS plans a full review of the cost allocation manual after the first year of operations with the findings and recommendations to be presented to and approved by the Board of Directors. Periodic reviews beyond the first year are planned, but not yet scheduled.

4. Will the TRA be provided access to the books and records of VFS, BLRTC and VEC to determine specifically if the company is in compliance with the cost allocation plan?

ANSWER: Yes, VFS will provide access to the books and records of VFS, BLRTC and VEC to determine if the company is in compliance with its cost allocation plan, as set forth in the Cost Allocation Manual. Such records will be available upon reasonable notice during normal business hours. Such requests should be directed to the VFS General Manager.